EXCERPTED

# Exhibit 11

# UNITED STATES
# SECURITIES AND EXCHANGE COMMISSION
**Washington, DC 20549**

# FORM 10-K

☒ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

**For The Fiscal Year Ended September 30, 2018**

**or**

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

**Commission File Number 001-38289**

# AVAYA HOLDINGS CORP.
**(Exact name of registrant as specified in its charter)**

| | |
|---|---|
| **Delaware** | **26-1119726** |
| **(State or other jurisdiction of incorporation or organization)** | **(I.R.S. Employer Identification No.)** |
| **4655 Great America Parkway**<br>**Santa Clara, California** | **95054** |
| **(Address of Principal executive offices)** | **(Zip Code)** |

**Registrant's telephone number, including area code: (908) 953-6000**

**Securities registered pursuant to Section 12(b) of the Act:**

| Title of Each Class | Name of Each Exchange on Which Registered |
|---|---|
| Common Stock, Par Value $.01 | New York Stock Exchange |

**Securities registered pursuant to Section 12(g) of the Act: None**

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☐ No ☒

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ☐ No ☒

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) is not contained herein, and will not be contained, to the best of the registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☒

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer ☐ Accelerated filer ☐ Non-accelerated filer ☒ Smaller Reporting Company ☐ Emerging growth company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Section 12, 13 or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court. Yes ☒ No ☐

The aggregate market value of the registrant's Common Stock held by non-affiliates on March 29, 2018 , the last business day of the registrant's most recently completed second quarter, was $2,459 million .

As of November 30, 2018 , 110,151,240 shares of Common Stock, $.01 par value, of the registrant were outstanding.

**DOCUMENTS INCORPORATED BY REFERENCE**

Part III of this Annual Report on Form 10-K will be incorporated by reference from certain portions of the registrant's definitive proxy statement for its 2019 Annual General Meeting of Stockholders, or will be included in an amendment hereto, to be filed with the Securities and Exchange Commission not later than 120 days after the close of the registrant's fiscal year ended September 30, 2018 .

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When we use the terms "we," "us," "our," "Avaya" or the "Company," we mean Avaya Holdings Corp., a Delaware corporation, and its consolidated subsidiaries taken as a whole, unless the context otherwise indicates.

This Annual Report on Form 10-K contains the registered and unregistered Avaya Aura ® and other trademarks or service marks of Avaya and are the property of Avaya Holdings Corp. and/or its affiliates. This Annual Report on Form 10-K also contains additional trade names, trademarks or service marks belonging to us and to other companies. We do not intend our use or display of other parties' trademarks, trade names or service marks to imply, and such use or display should not be construed to imply, a relationship with, or endorsement or sponsorship of us by, these other parties.

# PART I

## Item 1. *Business*

*On January 19, 2017 (the "Petition Date"), Avaya Holdings Corp., together with certain of its affiliates (collectively, the "Debtors"), filed voluntary petitions for relief (the "Bankruptcy Filing") under Chapter 11 of the United States Bankruptcy Code (the "Bankruptcy Code") in the United States Bankruptcy Court for the Southern District of New York (the "Bankruptcy Court"). On November 28, 2017, the Bankruptcy Court entered an order confirming the Second Amended Joint Plan of Reorganization filed by the Debtors on October 24, 2017 (the "Plan of Reorganization"). On December 15, 2017 (the "Emergence Date"), the Plan of Reorganization became effective and the Debtors emerged from bankruptcy.*

*Beginning on the Emergence Date, the Company applied fresh start accounting, which resulted in a new basis of accounting and the Company becoming a new entity for financial reporting purposes. As a result of the application of fresh start accounting and the effects of the implementation of the Plan of Reorganization, the consolidated financial statements after December 15, 2017 are not comparable with the consolidated financial statements on or prior to that date. Our financial results for the period from October 1, 2017 through December 15, 2017 are referred to as those of the "Predecessor" period. Our financial results for the period from December 16, 2017 through September 30, 2018 are referred to as those of the "Successor" period or periods. Our results of operations as reported in our Consolidated Financial Statements for these periods are in accordance with accounting principles generally accepted in the United States of America ("GAAP"). Although GAAP requires that we report on our results for the period from October 1, 2017 through December 15, 2017 and the period from December 16, 2017 through September 30, 2018 separately, we have in certain instances in this report presented operating results for the fiscal year ended September 30, 2018 by combining the results of the Predecessor and Successor periods because such presentation provides the most meaningful comparison of our results to prior periods.*

*For a more detailed discussion of our bankruptcy proceedings (the "Restructuring"), see Part II, Item 7 "Management's Discussion and Analysis of Financial Condition and Results of Operations" and Part II, Item 8, Note 5, "Fresh Start Accounting," to our Consolidated Financial Statements.*

### Our Company

Avaya is a global leader in digital communications products, solutions and services for businesses of all sizes. We enable organizations around the globe to succeed by creating intelligent communications experiences for customers and employees. Avaya builds open, converged and innovative solutions to enhance and simplify communications and collaboration in the cloud, on-premises or a hybrid of both. Our global, experienced team of professionals delivers award-winning services from initial planning and design, to seamless implementation and integration, to ongoing managed operations, optimization, training and support. As of September 30, 2018 , we had a presence in approximately 180 countries worldwide and during the past three fiscal years we served more than 90% of the Fortune 100 organizations.

### Operating Segments

Our business has two operating segments: **Products & Solutions** and **Services.** Effective September 30, 2018 , the Company changed the name of its Global Communications Solutions ("GCS") and Avaya Global Services ("AGS") segments to "Products & Solutions" and "Services," respectively. These were name changes only and did not have an impact on the operating results of each segment. Avaya also previously had a Networking business, which was sold on July 14, 2017.

#### *Products & Solutions*

Products & Solutions encompasses our unified communications and contact center platforms, applications and devices.

- *Unified Communications ("UC"):* Avaya unifies communications, helping companies increase employee productivity, improve customer service and reduce costs. Avaya embeds communications directly into the applications, browsers and devices employees use every day to create a single, powerful gateway for voice, video, messaging, conferencing and collaboration. We give people a more natural, efficient, and flexible way to connect, engage, respond, and share - where and how they want - for better business results.

  Avaya offers an open, extensible development platform, so that customers and third parties can easily create custom applications and automated workflows for their unique needs, integrating Avaya's capabilities into the customer's existing infrastructure and business applications.

- *Contact Center ("CC"):* Avaya's industry-leading omnichannel contact center solutions enable customers to build a customized portfolio of applications, driving stronger customer engagement and higher customer lifetime value. Our reliable, secure and scalable communications solutions include voice, email, chat, social media, video, performance management and ease of third-party integration that can improve customer service and help companies compete more effectively.



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The following table displays our consolidated net income (loss) for the periods indicated:

| (In millions) | Successor Period from December 16, 2017 through September 30, 2018 | Predecessor Period from October 1, 2017 through December 15, 2017 | Non-GAAP Combined 2018 | Predecessor Fiscal years ended September 30, 2017 | Predecessor Fiscal years ended September 30, 2016 |
|---|---|---|---|---|---|
| REVENUE | | | | | |
| Products | $ 989 | $ 253 | $ 1,242 | $ 1,437 | $ 1,755 |
| Services | 1,258 | 351 | 1,609 | 1,835 | 1,947 |
| | 2,247 | 604 | 2,851 | 3,272 | 3,702 |
| COSTS | | | | | |
| Products: | | | | | |
| Costs | 372 | 84 | 456 | 499 | 629 |
| Amortization of technology intangible assets | 135 | 3 | 138 | 20 | 30 |
| Services | 597 | 155 | 752 | 745 | 785 |
| | 1,104 | 242 | 1,346 | 1,264 | 1,444 |
| GROSS PROFIT | 1,143 | 362 | 1,505 | 2,008 | 2,258 |
| OPERATING EXPENSES | | | | | |
| Selling, general and administrative | 888 | 264 | 1,152 | 1,261 | 1,401 |
| Research and development | 172 | 38 | 210 | 225 | 273 |
| Amortization of intangible assets | 127 | 10 | 137 | 204 | 226 |
| Impairment of indefinite-lived intangible assets | — | — | — | 65 | 100 |
| Goodwill impairment | — | — | — | 52 | 442 |
| Restructuring charges, net | 81 | 14 | 95 | 30 | 105 |
| | 1,268 | 326 | 1,594 | 1,837 | 2,547 |
| OPERATING (LOSS) INCOME | (125) | 36 | (89) | 171 | (289) |
| Interest expense | (169) | (14) | (183) | (246) | (471) |
| Other income (expense), net | 35 | (2) | 33 | (25) | 41 |
| Reorganization items, net | — | 3,416 | 3,416 | (98) | — |
| (LOSS) INCOME BEFORE INCOME TAXES | (259) | 3,436 | 3,177 | (198) | (719) |
| Benefit from (provision for) income taxes | 546 | (459) | 87 | 16 | (11) |
| NET INCOME (LOSS) | $ 287 | $ 2,977 | $ 3,264 | $ (182) | $ (730) |

The following table displays the impact of the fair value adjustments resulting from fresh start accounting (See Note 5, "Fresh Start Accounting," to our Consolidated Financial Statements), excluding those related to the amortization of intangible assets, on the Company's operating loss for the period indicated:

| *(In millions)* | Period from December 16, 2017 through September 30, 2018 |
|---|---|
| REVENUE | |
| Products | $ (63) |
| Services | (143) |
| | (206) |
| COSTS | |
| Products | 21 |
| Services | 37 |
| | 58 |
| GROSS PROFIT | (264) |
| OPERATING EXPENSES | |
| Selling, general and administrative | 16 |
| Research and development | (11) |
| | 5 |
| OPERATING LOSS | $ (259) |

***Fiscal Year Ended September 30, 2018 Combined Results Compared with Fiscal Year Ended September 30, 2017***

***Revenue***

Revenue for fiscal 2018 was $2,851 million compared to $3,272 million for fiscal 2017 . The decrease was primarily the result of the recognition of deferred revenue at fair value upon emergence from bankruptcy, which resulted in lower revenue in subsequent periods; the sale of the Networking business in July 2017; and lower demand for the Company's unified communications products and maintenance services mainly due to extended procurement cycles resulting from the Bankruptcy Filing. The lower demand for our products in prior periods also contributed, in part, to lower maintenance services revenue for fiscal 2018 . The decrease was partially offset by higher contact center professional services sales; the favorable impact of foreign currency exchange rates; and incremental revenue from the Spoken acquisition.

The following table displays revenue and the percentage of revenue to total sales by operating segment for the periods indicated:

| | Successor | Predecessor | Non-GAAP Combined | Predecessor | Percentage of Total Revenue: Non-GAAP Combined | Percentage of Total Revenue: Predecessor | | |
|---|---|---|---|---|---|---|---|---|
| *(In millions)* | Period from December 16, 2017 through September 30, 2018 | Period from October 1, 2017 through December 15, 2017 | Fiscal year ended September 30, 2018 | Fiscal year ended September 30, 2017 | Fiscal year ended September 30, 2018 | Fiscal year ended September 30, 2017 | Yr. to Yr. Percentage Change | Yr. to Yr. Percentage Change, net of Foreign Currency Impact |
| Products & Solutions | $ 1,052 | $ 253 | $ 1,305 | $ 1,297 | 46 % | 40% | 1 % | 0 % |
| Networking | — | — | — | 140 | 0 % | 4% | (100)% | (100)% |
| Services | 1,401 | 351 | 1,752 | 1,835 | 61 % | 56% | (5)% | (5)% |
| Unallocated amounts | (206) | — | (206) | — | (7)% | 0% | (1) | (1) |
| Total revenue | $ 2,247 | $ 604 | $ 2,851 | $ 3,272 | 100 % | 100% | (13)% | (14)% |

(1) Not meaningful

Products & Solutions revenue for fiscal 2018 was $1,305 million compared to $1,297 million for fiscal 2017 . The increase was primarily attributable to the favorable impact of foreign currency exchange rates and incremental revenue from the Spoken acquisition, partially offset by lower unified communications revenue.

Networking revenue for fiscal 2017 was $140 million . The Networking business was sold to Extreme in July 2017.



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Services revenue for fiscal 2018 was $1,752 million compared to $1,835 million for fiscal 2017 . The decrease was primarily due to lower maintenance services revenue and the sale of the Networking business, partially offset by the favorable impact of foreign currency exchange rates and higher contact center professional services sales.

Unallocated amounts for fiscal 2018 represent the fair value adjustment to deferred revenue recognized upon emergence from bankruptcy and excluded from segment revenue.

The following table displays revenue and the percentage of revenue to total sales by location for the periods indicated:

| | Successor | Predecessor | Non-GAAP Combined | Predecessor | Percentage of Total Revenue: Non-GAAP Combined | Percentage of Total Revenue: Predecessor | | |
|---|---|---|---|---|---|---|---|---|
| *(In millions)* | Period from December 16, 2017 through September 30, 2018 | Period from October 1, 2017 through December 15, 2017 | Fiscal year ended September 30, 2018 | Fiscal year ended September 30, 2017 | Fiscal year ended September 30, 2018 | Fiscal year ended September 30, 2017 | Yr. to Yr. Percentage Change | Yr. to Yr. Percentage Change, net of Foreign Currency Impact |
| U.S. | $ 1,184 | $ 331 | $ 1,515 | $ 1,798 | 53% | 55% | (16)% | (16)% |
| International: | | | | | | | | |
| Europe, Middle East and Africa | 603 | 166 | 769 | 834 | 27% | 26% | (8)% | (11)% |
| Asia Pacific | 256 | 57 | 313 | 334 | 11% | 10% | (6)% | (7)% |
| Americas International - Canada and Latin America | 204 | 50 | 254 | 306 | 9% | 9% | (17)% | (16)% |
| Total International | 1,063 | 273 | 1,336 | 1,474 | 47% | 45% | (9)% | (11)% |
| Total revenue | $ 2,247 | $ 604 | $ 2,851 | $ 3,272 | 100% | 100% | (13)% | (14)% |

Revenue in the U.S. for fiscal 2018 was $1,515 million compared to $1,798 million for fiscal 2017 . The decrease in U.S. revenue was primarily attributable to the recognition of deferred revenue at fair value upon emergence from bankruptcy, which results in lower revenue in subsequent periods; the impact of the sale of the Networking business in July 2017; a decrease in maintenance services revenue; and lower sales of unified communications and contact center products, partially offset by incremental revenue from the Spoken acquisition. Revenue in Europe, Middle East and Africa ("EMEA") for fiscal 2018 was $769 million compared to $834 million for fiscal 2017 . The decrease in EMEA revenue was primarily attributable to the impact of the sale of the Networking business and the recognition of deferred revenue at fair value upon emergence from bankruptcy, partially offset by an increase in demand for our unified communications products and the favorable impact of foreign currency exchange rates. Revenue in Asia Pacific ("APAC") for fiscal 2018 was $313 million compared to $334 million for fiscal 2017 . The decrease in APAC revenue was primarily attributable to the impact of the sale of the Networking business and the recognition of deferred revenue at fair value upon emergence from bankruptcy, partially offset by higher sales of unified communications products and the favorable impact of foreign currency exchange rates. Revenue in Americas International for fiscal 2018 was $254 million compared to $306 million for fiscal 2017 . The decrease in Americas International revenue was primarily attributable to the sale of the Networking business; the recognition of deferred revenue at fair value upon emergence from bankruptcy; and lower sales of unified communications products, partially offset by the favorable impact of foreign currency exchange rates.

We sell our products both directly to end users and through an indirect sales channel. The following table provides a comparison of each for the periods indicated:

| | Successor | Predecessor | Non-GAAP Combined | Predecessor | Percentage of Total Products & Solutions and Networking Revenue | | | |
|---|---|---|---|---|---|---|---|---|
| | | | | | Non-GAAP Combined | Predecessor | | |
| *(In millions)* | Period from December 16, 2017 through September 30, 2018 | Period from October 1, 2017 through December 15, 2017 | Fiscal year ended September 30, 2018 | Fiscal year ended September 30, 2017 | Fiscal year ended September 30, 2018 | Fiscal year ended September 30, 2017 | Yr. to Yr. Percentage Change | Yr. to Yr. Percentage Change, net of Foreign Currency Impact |
| Direct | $ 300 | $ 80 | $ 380 | $ 382 | 29% | 27% | (1)% | (2)% |
| Indirect | 752 | 173 | 925 | 1,055 | 71% | 73% | (12)% | (13)% |
| Total Products & Solutions and Networking revenue | $ 1,052 | $ 253 | $ 1,305 | $ 1,437 | 100% | 100% | (9)% | (10)% |

***Gross Profit***

The following table sets forth gross profit and gross margin by operating segment for the periods indicated:

| | Successor | Predecessor | Non-GAAP Combined | Predecessor | Gross Margin | | Change | |
|---|---|---|---|---|---|---|---|---|
| | | | | | Non-GAAP Combined | Predecessor | | |
| *(In millions)* | Period from December 16, 2017 through September 30, 2018 | Period from October 1, 2017 through December 15, 2017 | Fiscal year ended September 30, 2018 | Fiscal year ended September 30, 2017 | Fiscal year ended September 30, 2018 | Fiscal year ended September 30, 2017 | Amount | Percent |
| Products & Solutions | $ 696 | $ 169 | $ 865 | $ 890 | 66.3% | 68.6% | $ (25) | (2.8)% |
| Networking | — | — | — | 48 | —% | 34.3% | (48) | (100)% |
| Services | 843 | 196 | 1,039 | 1,091 | 59.3% | 59.5% | (52) | (4.8)% |
| Unallocated amounts | (396) | (3) | (399) | (21) | (1 ) | (1) | (378) | (1) |
| Total | $ 1,143 | $ 362 | $ 1,505 | $ 2,008 | 52.8% | 61.4% | $ (503) | (25)% |

(1) Not meaningful

Gross profit for fiscal 2018 was $1,505 million compared to $2,008 million for fiscal 2017 . The decrease was primarily attributable to the impact of applying fresh start accounting upon emergence from bankruptcy, including the effect of the recognition of deferred revenue at fair value, which resulted in lower revenue in subsequent periods, and the amortization of technology intangibles with higher asset values; the sale of the Networking business in July 2017; a decrease in sales of maintenance services; incremental amortization of technology intangibles acquired from the Spoken acquisition; and lower sales of unified communications products, partially offset by an increase in professional services and cloud services gross profit and the favorable impact of foreign currency exchange rates.

Products & Solutions gross profit for fiscal 2018 was $865 million compared to $890 million for fiscal 2017 . The decrease was attributable to lower sales of unified communications products, partially offset by the favorable impact of foreign currency exchange rates.

Networking gross profit for fiscal 2017 was $48 million . The Networking business was sold to Extreme in July 2017.

Services gross profit for fiscal 2018 was $1,039 million compared to $1,091 million for fiscal 2017 . The decrease in Services gross profit was due to a decrease in sales of maintenance services and the sale of the Networking business, partially offset by an increase in professional services and cloud services gross profit and the favorable impact of foreign currency exchange rates.

Unallocated amounts for fiscal 2018 include the fair value adjustments recognized upon emergence from bankruptcy and excluded from segment gross profit; the effect of the amortization of technology intangibles; and costs that are not core to the measurement of segment performance, but rather are controlled at the corporate level. Unallocated amounts for fiscal 2017 included the effect of the amortization of technology intangibles and costs that are not core to the measurement of segment performance, but rather controlled at the corporate level.



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***Operating Expenses***

The following table sets forth operating expenses and the percentage of operating expenses to total revenue for the periods indicated:

| | Successor | Predecessor | Non-GAAP Combined | Predecessor | Percentage of Total Revenue | | Change | |
|---|---|---|---|---|---|---|---|---|
| | | | | | Non-GAAP Combined | Predecessor | | |
| (In millions) | Period from December 16, 2017 through September 30, 2018 | Period from October 1, 2017 through December 15, 2017 | Fiscal year ended September 30, 2018 | Fiscal year ended September 30, 2017 | Fiscal year ended September 30, 2018 | Fiscal year ended September 30, 2017 | Amount | Percent |
| Selling, general and administrative | $ 888 | $ 264 | $ 1,152 | $ 1,261 | 40.4% | 38.5% | $ (109) | (9)% |
| Research and development | 172 | 38 | 210 | 225 | 7.4% | 6.9% | (15) | (7)% |
| Amortization of intangible assets | 127 | 10 | 137 | 204 | 4.8% | 6.2% | (67) | (33)% |
| Impairment of indefinite-lived intangible assets | — | — | — | 65 | —% | 2.0% | (65) | (100)% |
| Goodwill impairment | — | — | — | 52 | —% | 1.6% | (52) | (100)% |
| Restructuring charges, net | 81 | 14 | 95 | 30 | 3.3% | 0.9% | 65 | 217 % |
| Total operating expenses | $ 1,268 | $ 326 | $ 1,594 | $ 1,837 | 55.9% | 56.1% | $ (243) | (13)% |

Selling, general and administrative expenses for fiscal 2018 were $1,152 million compared to $1,261 million for fiscal 2017 . The decrease was primarily attributable to advisory fees incurred in the prior year period to assist in the assessment of strategic and financial alternatives to improve the Company's capital structure; expenses associated with the Networking business that was sold in July 2017; costs incurred in connection with certain legal matters; and the impact of fresh start accounting, partially offset by the unfavorable impact of foreign currency exchange rates and Spoken acquisition-related costs. The impact of applying fresh start accounting resulted in additional depreciation expense as property, plant and equipment was recorded at fair value, resulting in higher asset values; and lower sales commission expense due to the recognition of deferred revenue at fair value, which resulted in lower revenue and sales commission expense in subsequent periods.

Research and development expenses for fiscal 2018 were $210 million compared to $225 million for fiscal 2017 . The decrease was primarily attributable to expenses associated with the Networking business that was sold in July 2017, partially offset by higher depreciation expense due to the impact of applying fresh start accounting as described above; the unfavorable impact of foreign currency exchange rates; and research and development costs associated with the Spoken acquisition in March 2018.

Amortization of intangible assets for fiscal 2018 was $137 million compared to $204 million for fiscal 2017 . The carrying value of intangible assets was adjusted upon the application of fresh start accounting resulting in higher asset values and longer remaining useful lives.

Impairment of indefinite-lived intangible assets for fiscal 2017 was $65 million . Due to the Company filing for bankruptcy and also experiencing a decline in revenues, a revision of its five year forecast was completed in the quarter ended June 30, 2017. Due to the decline in revenue in the five year forecast, the Company tested its intangible assets with indefinite lives and other long-lived assets for impairment. The Company estimated the fair values of its indefinite-lived intangible assets using the royalty savings method, which values an asset by estimating the royalties saved through ownership of the asset. As a result of the impairment test, the Company estimated the fair value of its trademarks and trade names to be $190 million as compared to a carrying amount of $255 million and recorded the impairment charge of $65 million . There was no such impairment in fiscal 2018 .

Goodwill impairment for fiscal 2017 was $52 million . As a result of the sale of certain assets and liabilities of the Company's Networking business to Extreme in July 2017, it was determined that the fair value of the Networking services component was less than its carrying value. As a result, the Company recorded a goodwill impairment charge of $52 million . No goodwill impairments have been recognized in fiscal 2018 .

Restructuring charges, net, for fiscal 2018 were $95 million compared to $30 million for fiscal 2017 . Restructuring charges recorded during fiscal 2018 included employee separation costs of $83 million primarily associated with employee severance actions in EMEA and the U.S. and lease obligations of $12 million primarily in the U.S. and EMEA. Restructuring charges

recorded during fiscal 2017 included employee separation costs of $21 million primarily associated with employee severance actions in the U.S. and EMEA and lease obligations of $9 million , primarily in EMEA.

***Operating (Loss) Income***

Operating loss for fiscal 2018 was $89 million compared to operating income of $171 million for fiscal 2017 . Our operating results for fiscal 2018 as compared to fiscal 2017 reflect, among other things:

- the impact of applying fresh start accounting upon emergence from bankruptcy on December 15, 2017 ;
- impairment charges for indefinite-lived intangible assets and goodwill recognized during fiscal 2017 ;
- higher restructuring charges for fiscal 2018 , primarily related to employee separation charges and lease termination agreements associated with vacated facilities particularly in Europe and the U.S.;
- lower advisory fees incurred to assist in the assessment of strategic and financial alternatives to improve the Company's capital structure during fiscal 2018 of $62 million ;
- costs incurred in connection with certain legal matters of $37 million for fiscal 2018 ;
- operating results from the Networking business for fiscal 2017 ; and
- operating results from the Spoken acquisition completed in March 2018.

***Interest Expense***

Interest expense for fiscal 2018 was $183 million compared to $246 million for fiscal 2017 . Fiscal 2017 included non-cash interest expense of $61 million related to the accelerated amortization of debt issuance costs and accretion of debt discount. Our Bankruptcy Filing, which constituted an event of default under our Predecessor first lien obligations and Predecessor second lien obligations, accelerated the Company's payment obligations under those instruments. Consequently, all debt outstanding under our Predecessor first lien obligations and Predecessor second lien obligations were classified as Liabilities subject to compromise, and related unamortized deferred financing costs and debt discounts in the amount of $61 million were expensed during fiscal 2017 . Effective January 19, 2017, the Company ceased recording interest expense on outstanding pre-petition debt classified as Liabilities subject to compromise. Contractual interest expense represented amounts due under the contractual terms of outstanding debt, including debt classified as Liabilities subject to compromise. For the period from October 1, 2017 through December 15, 2017 and the period from January 19, 2017 through September 30, 2017 , contractual interest expense of $94 million and $316 million , respectively, was not recorded as interest expense, as it was not an allowed claim under the Bankruptcy Filing. Contractual interest expense recorded for fiscal 2018 and 2017 was $175 million and $185 million , respectively, a decrease of $10 million .

***Other Income (Expense), Net***

Other income , net for fiscal 2018 was $33 million as compared to other expense , net of $25 million for fiscal 2017 . Other income , net for fiscal 2018 included net foreign currency gains of $28 million , principally due to the strengthening of the U.S. dollar compared to certain foreign exchange rates on U.S. dollar denominated receivables maintained in non-U.S. locations, mainly Argentina, India and Mexico; income from a transition services agreement entered into in connection with the sale of the Networking business to Extreme (the "TSA") of $8 million ; interest income of $7 million ; other pension and post-retirement benefit credits of $5 million ; and other, net of $2 million , partially offset by a loss due to the change in fair value of the Emergence Date Warrants of $17 million . Other expense , net for fiscal 2017 included other pension and post-retirement benefit costs of $34 million and other, net of $2 million , partially offset by interest income of $4 million ; income from the TSA with Extreme of $3 million ; a gain on the sale of the Networking business of $2 million ; and net foreign currency gains of $2 million .

As a result of adopting Financial Accounting Standards Board ("FASB") Accounting Standards Update ("ASU") No. 2017-07, "Improving the Presentation of Net Periodic Pension Cost and Net Periodic Post-retirement Benefit Cost," the Company reclassified $34 million of other pension and post-retirement benefit costs to Other expense, net for fiscal 2017 . For fiscal 2018 , the Company recorded $5 million of other pension and post-retirement benefit credits in Other income, net.

***Reorganization Items, Net***

Reorganization items, net for fiscal 2018 and 2017 were $3,416 million and $(98) million , respectively. Reorganization items, net for fiscal 2018 primarily consists of the net gain from the consummation of the Plan of Reorganization and the related settlement of liabilities. Reorganization items, net for fiscal 2018 and 2017 also include amounts incurred subsequent to the Bankruptcy Filing as a direct result of the Bankruptcy Filing and are comprised of professional service fees and contract rejection fees. See Note 4, "Emergence from Voluntary Reorganization under Chapter 11 Proceedings," and Note 5, "Fresh Start Accounting," for additional information.



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***Benefit from (Provision for) Income Taxes***

The benefit from income taxes was $87 million for fiscal 2018 compared with a benefit from income taxes of $16 million for fiscal 2017 .

The Company's effective income tax rate for fiscal 2018 differed from the U.S. federal tax rate primarily due to: (1) the effect of tax rate differentials on foreign income/loss, (2) losses generated within certain foreign jurisdictions for which no benefit was recorded because it is more likely than not that the tax benefits would not be realized, (3) non-U.S. withholding taxes on foreign earnings, (4) current period changes to unrecognized tax positions, (5) U.S. state and local income taxes, (6) the impact of the Tax Cuts and Jobs Act, (7) the impact of reorganization and fresh start adjustments, and (8) the utilization and recognition of previously unrecognized tax net operating losses, and the reversal of deferred tax liabilities, associated with the centralization of the management and ownership of certain intellectual property.

The Company's effective income tax rate for fiscal 2017 differed from the U.S. federal tax rate primarily due to: (1) the effect of tax rate differentials on foreign income/loss, (2) changes in the valuation allowance established against the Company's deferred tax assets, (3) tax positions taken during the year offset by reductions for unrecognized tax benefits resulting from the lapse of statute of limitations and the completion of income tax examinations, (4) the non-deductible portion of goodwill impairment, (5) the non-deductible portion of the loss on the sale of Networking business assets, (6) the non-deductible portion of reorganization items, (7) the effect of enacted changes in tax laws, and (8) the recognition of income tax benefits as a result of net gains in other comprehensive income.

***Net Income (Loss)***

Net income was $3,264 million for fiscal 2018 compared to a net loss of $182 million for fiscal 2017 , primarily due to the reorganization gain of $3,416 million resulting from our emergence from bankruptcy and the items discussed above.

***Fiscal Year Ended September 30, 2017 Results Compared with Fiscal Year Ended September 30, 2016***

***Revenue***

Revenue for fiscal 2017 and 2016 was $3,272 million and $3,702 million , respectively, a decrease of $430 million or 12% . The following table displays revenue and the percentage of revenue to total sales by operating segment:

| | | | Percentage of Total Revenue | | | |
|---|---|---|---|---|---|---|
| *(In millions)* | 2017 | 2016 | 2017 | 2016 | Yr. to Yr. Percent Change | Yr. to Yr. Percent Change, net of Foreign Currency Impact |
| Products & Solutions | $ 1,297 | $ 1,536 | 40% | 41% | (16)% | (15)% |
| Networking [(1)] | 140 | 219 | 4% | 6% | (36)% | (36)% |
| Services | 1,835 | 1,947 | 56% | 53% | (6)% | (6)% |
| Total revenue | $ 3,272 | $ 3,702 | 100% | 100% | (12)% | (11)% |

[(1)] Networking business was sold on July 14, 2017; therefore, the Company recognized no revenue after the date of sale.

Products & Solutions revenue for fiscal 2017 and 2016 was $1,297 million and $1,536 million , respectively, a decrease of $239 million or 16% . The decrease was primarily attributable to uncertainties that had an impact on our customers' buying decisions as we saw ongoing procurement slowdowns and extended procurement cycles resulting from the Bankruptcy Filing. As a result, there was a lower demand for endpoints, gateways, Nortel and Tenovis products, SME Telephony products and servers.

Networking revenue for fiscal 2017 and 2016 was $140 million and $219 million , respectively, a decrease of $79 million or 36% . The decrease in Networking revenue was primarily attributable to the sale of certain assets and liabilities of the Company's Networking segment in July 2017 to Extreme. Prior to the sale, there was a lower demand for our products in the U.S., partially offset by greater demand for our products in EMEA.

Services revenue for fiscal 2017 and 2016 was $1,835 million and $1,947 million , respectively, a decrease of $112 million or 6% . The decrease was primarily due to lower maintenance services revenues as a result of the lower product sales discussed above and lower professional services revenue.



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The following table displays revenue and the percentage of revenue to total sales by location:

| (In millions) | 2017 | 2016 | Percentage of Total Revenue 2017 | Percentage of Total Revenue 2016 | Yr. to Yr. Percent Change | Yr. to Yr. Percent Change, net of Foreign Currency Impact |
|---|---|---|---|---|---|---|
| U.S. | $ 1,798 | $ 2,072 | 55% | 56% | (13)% | (13)% |
| International: | | | | | | |
| EMEA | 834 | 880 | 26% | 24% | (5)% | (4)% |
| APAC-Asia Pacific | 334 | 416 | 10% | 11% | (20)% | (20)% |
| Americas International-Canada and Latin America | 306 | 334 | 9% | 9% | (8)% | (9)% |
| Total International | 1,474 | 1,630 | 45% | 44% | (10)% | (9)% |
| Total revenue | $ 3,272 | $ 3,702 | 100% | 100% | (12)% | (11)% |

Revenue in the U.S. for fiscal 2017 and 2016 was $1,798 million and $2,072 million , respectively, a decrease of $274 million or 13% . This decrease was primarily attributable to lower sales of unified communications products, including endpoints, SME Telephony, and gateways; networking products; and contact center products, in addition to decreased global shared services revenue. Revenue in EMEA for fiscal 2017 and 2016 was $834 million and $880 million , respectively, a decrease of $46 million or 5% . The decrease in EMEA revenue was primarily attributable to lower sales of unified communication and networking products, and an unfavorable impact of foreign currency. Revenue in APAC for fiscal 2017 and 2016 was $334 million and $416 million , respectively, a decrease of $82 million or 20% . The decrease in APAC revenue was primarily attributable to lower sales of unified communications, principally endpoints, gateways, Aura CM, video and SME Telephony, and contact center products. Revenue in Americas International for fiscal 2017 and 2016 was $306 million and $334 million , respectively, a decrease of $28 million or 8% . The decrease in Americas International revenue was primarily attributable to lower sales of endpoints and gateways, and contact center and networking products, partially offset by increased demand for APCS and the favorable impact of foreign currency.

We sell our products directly to end users and through an indirect sales channel. The following table provides a comparison of each for the periods indicated:

| (In millions) | 2017 | 2016 | Percentage of Total Products & Solutions and Networking Revenue 2017 | Percentage of Total Products & Solutions and Networking Revenue 2016 | Yr. to Yr. Percent Change | Yr. to Yr. Percent Change, net of Foreign Currency Impact |
|---|---|---|---|---|---|---|
| Direct | $ 382 | $ 453 | 27% | 26% | (16)% | (15)% |
| Indirect | 1,055 | 1,302 | 73% | 74% | (19)% | (19)% |
| Total Products & Solutions and Networking revenue | $ 1,437 | $ 1,755 | 100% | 100% | (18)% | (18)% |

### *Gross Profit*

The following table sets forth gross profit and gross margin by operating segment:

| (In millions) | Gross Profit 2017 | Gross Profit 2016 | Gross Margin 2017 | Gross Margin 2016 | Change Amount | Change Percentage |
|---|---|---|---|---|---|---|
| Products & Solutions | $ 890 | $ 1,047 | 68.6% | 68.2% | $ (157) | (15)% |
| Networking | 48 | 80 | 34.3% | 36.5% | (32) | (40)% |
| Services | 1,091 | 1,160 | 59.5% | 59.6% | (69) | (6)% |
| Unallocated amounts | (21) | (29) | (1) | (1) | 8 | (1) |
| Total | $ 2,008 | $ 2,258 | 61.4% | 61.0% | $ (250) | (11)% |

(1) Not meaningful

Gross profit for fiscal 2017 and 2016 was $2,008 million and $2,258 million , respectively, a decrease of $250 million or 11% . The decrease was attributable to the decrease in sales volume, partially offset by the success of our gross margin improvement initiatives and favorable pricing. Our gross margin improvement initiatives included exiting facilities, reducing the workforce, productivity improvements and obtaining better pricing from our contract manufacturers and transportation vendors. Gross

margin increased to 61.4% for fiscal 2017 from 61.0% for fiscal 2016 primarily as a result of our gross margin improvement initiatives, favorable pricing and higher software sales as a percentage of revenues, which have higher margins.

Products & Solutions gross profit for fiscal 2017 and 2016 was $890 million and $1,047 million , respectively, a decrease of $157 million or 15% . The decrease was primarily attributable to lower sales volume, partially offset by the success of our gross margin improvement initiatives and favorable pricing. Products & Solutions gross margin increased to 68.6% for fiscal 2017 compared to 68.2% for fiscal 2016 primarily as a result of favorable pricing.

Networking gross profit for fiscal 2017 and 2016 was $48 million and $80 million , respectively, a decrease of $32 million or 40% . Networking gross margin decreased to 34.3% for fiscal 2017 from 36.5% for fiscal 2016 . The decrease in Networking gross profit was primarily attributable to lower sales volume as a result of the sale of the Company's Networking business to Extreme.

Services gross profit for fiscal 2017 and 2016 was $1,091 million and $1,160 million , respectively, a decrease of $69 million or 6% . The decrease was due to lower revenue. Services gross margin decreased to 59.5% for fiscal 2017 from 59.6% for fiscal 2016 .

Unallocated amounts for fiscal 2017 and 2016 included the effect of the amortization of technology intangibles and costs that are not core to the measurement of segment performance, but rather are controlled at the corporate level.

***Operating Expenses***

The following table sets forth operating expenses and the percentage of operating expenses to total revenue:

| | | | Percentage of Total Revenue | | Change | |
|---|---|---|---|---|---|---|
| *(In millions)* | 2017 | 2016 | 2017 | 2016 | Amount | Percent |
| Selling, general and administrative | $ 1,261 | $ 1,401 | 38.5% | 37.9% | $ (140) | (10)% |
| Research and development | 225 | 273 | 6.9% | 7.4% | (48) | (18)% |
| Amortization of intangible assets | 204 | 226 | 6.2% | 6.1% | (22) | (10)% |
| Impairment of indefinite-lived intangible assets | 65 | 100 | 2.0% | 2.7% | (35) | (35)% |
| Goodwill impairment | 52 | 442 | 1.6% | 11.9% | (390) | (88)% |
| Restructuring charges, net | 30 | 105 | 0.9% | 2.8% | (75) | (71)% |
| Total operating expenses | $ 1,837 | $ 2,547 | 56.1% | 68.8% | $ (710) | (28)% |

Selling, general and administrative expenses for fiscal 2017 and 2016 were $1,261 million and $1,401 million , respectively, a decrease of $140 million . The decrease was primarily attributable to lower costs incurred in connection with certain legal matters period over period, lower payroll and payroll related expenses realized from the success of cost savings initiatives executed in prior periods, lower selling expenses and the favorable impact of foreign currency, partially offset by advisory fees incurred to assist in the assessment of strategic and financial alternatives to improve the Company's capital structure. Our cost savings initiatives included reductions to the workforce, exiting and consolidating facilities and relocating positions to lower-cost geographies.

Research and development expenses for fiscal 2017 and 2016 were $225 million and $273 million , respectively, a decrease of $48 million . The decrease was primarily due to lower payroll and payroll related expenses realized as a result of cost savings initiatives executed in prior periods.

Impairment of indefinite-lived intangible assets in fiscal 2017 was $65 million . Due to the Company filing for bankruptcy and also experiencing a decline in revenues, a revision of its five year forecast was completed in the quarter ended June 30, 2017. Due to the decline in revenue in the five year forecast, the Company tested its intangible assets with indefinite lives and other long-lived assets for impairment. The Company estimated the fair values of its indefinite-lived intangible assets using the royalty savings method, which values an asset by estimating the royalties saved through ownership of the asset. As a result of the impairment test, the Company estimated the fair value of its trademarks and trade names to be $190 million as compared to a carrying amount of $255 million and recorded an impairment charge of $65 million . Impairment of indefinite-lived intangible assets in fiscal 2016 was $100 million and related to the Company's trademarks and trade names. The reduced valuation reflected additional market risks and lower sales forecasts for the Company, which was consistent with the lack of customers' willingness to spend on products, specifically relating to unified communications, such as endpoints, gateways, Nortel and Tenovis products, servers and SME Telephony products.

Goodwill impairment in fiscal 2017 was $52 million . As a result of the sale of certain assets and liabilities of the Company's Networking business to Extreme in July 2017, it was determined that the fair value of the Networking services component was



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less than its carrying value. As a result, the Company recorded a goodwill impairment charge of $52 million . Goodwill impairment in fiscal 2016 was $442 million . At July 1, 2016, the Company performed step one of the goodwill impairment test for all of its reporting units, which indicated the estimated fair value of the Unified Communication reporting unit was less than the carrying amount of its net assets (including goodwill). Therefore, the Company performed step two of its annual goodwill impairment test and determined that the carrying amount of the reporting unit's goodwill exceeded its implied fair value resulting in an impairment to goodwill of $442 million . The impairment was primarily the result of the continued customer cutbacks in investments in unified communication products. The reduced valuation of the reporting unit reflected additional market risks and lower sales forecasts for the reporting unit, which was consistent with the lack of customers' willingness to spend on unified communication products such as endpoints, gateways, Nortel and Tenovis products, servers and SME Telephony products. At July 1, 2016, the Company determined that the respective carrying amounts of the Company's other reporting units did not exceed their estimated fair values and therefore no impairment of the goodwill for these reporting units existed.

Restructuring charges, net, for fiscal 2017 and 2016 were $30 million and $105 million , respectively, a decrease of $75 million . Restructuring charges recorded during fiscal 2017 include employee separation costs of $21 million primarily associated with employee severance actions in the U.S. and EMEA and lease obligations of $9 million primarily in EMEA. Restructuring charges recorded during fiscal 2016 include employee separation costs of $101 million primarily associated with employee severance actions in EMEA and Canada, and a voluntary plan initiated in the U.S., as well as lease obligations of $4 million .

***Operating Income (Loss)***

Fiscal 2017 had operating income of $171 million compared to an operating loss of $289 million for fiscal 2016 .

Operating income (loss) for fiscal 2017 and 2016 includes impairments of goodwill and indefinite-lived intangible assets of $117 million and $542 million , depreciation and amortization of $326 million and $374 million and share-based compensation of $11 million and $16 million , respectively.

***Interest Expense***

Interest expense for fiscal 2017 and 2016 was $246 million and $471 million , respectively, and includes non-cash interest expense of $61 million and $20 million , respectively. Non-cash interest expense is comprised of amortization of debt issuance costs and accretion of debt discounts. The increase in non-cash interest is a result of accelerated amortization of debt issuance costs and accretion of debt discounts due to our Bankruptcy Filing. The Bankruptcy Filing constituted an event of default under the Company's Predecessor first lien and second lien obligations that accelerated its payment obligations. Consequently, all debt outstanding under the Company's Predecessor first lien and second lien obligations was classified as Liabilities subject to compromise and the related unamortized deferred financing costs and debt discounts of $61 million were expensed during fiscal 2017 . Effective January 19, 2017, the Company ceased recording interest expense on outstanding pre-petition debt classified as Liabilities subject to compromise. Contractual interest expense represented amounts due under the contractual terms of outstanding debt, including debt subject to compromise. For the period from January 19, 2017 through September 30, 2017 , contractual interest expense related to debt classified as Liabilities subject to compromise of $316 million was not recorded as interest expense, as it was not an allowed claim under the Bankruptcy Filing. Cash interest expense for fiscal 2017 and 2016 was $185 million and $451 million , respectively, a decrease of $266 million .

***Other Income (Expense), Net***

Other expense, net for fiscal 2017 was $25 million compared with other income, net of $41 million for fiscal 2016 . Other expense, net for fiscal 2017 included other pension and post-retirement benefit costs of 34 million ; and other expense, net of $2 million , partially offset by interest income of $4 million ; income from the TSA with Extreme of $3 million ; a gain on the sale of certain assets and liabilities of the Networking business of $2 million ; and net foreign currency transaction gains of $2 million . Other income, net for fiscal 2016 includes $73 million from changes in the fair value of the Predecessor Series B preferred stock embedded derivative; net foreign currency transaction gains of $10 million ; and interest income of $1 million , partially offset by other pension and post-retirement benefit costs of $27 million ; loss on an equity investment of $11 million; and other expense, net of $5 million .

***Reorganization Items, Net***

Reorganization items, net for fiscal 2017 was $98 million . Reorganization items, net for fiscal 2017 included amounts incurred subsequent to the Bankruptcy Filing as a direct result of the Bankruptcy Filing and was comprised of professional service fees, contract rejection fees and DIP Credit Agreement financing costs.

***Benefit from (Provision for) Income Taxes***

The benefit from income taxes was $16 million for fiscal 2017 compared with a provision for income taxes of $11 million for fiscal 2016 .



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Predecessor second lien obligations received warrants to purchase 5.6 million shares of Successor Company common stock at an exercise price of $25.55 per warrant (the "Emergence Date Warrants");

- *Claims of Pension Benefit Guaranty Corporation ("PBGC").* The Predecessor Company's outstanding obligations under the Avaya Inc. Pension Plan for Salaried Employees ("APPSE") were terminated and transferred to the PBGC. The PBGC received 6.1 million shares of Successor Company common stock and $340 million in cash; and
- *General Unsecured Claims.* Holders of the Predecessor Company's general unsecured claims will receive their pro rata share of the general unsecured recovery pool. A liquidating trust was established in the amount of $58 million for the benefit of the general unsecured claims. Included in the 110.0 million Successor Company common stock issued are 0.2 million additional shares of common stock that have been issued (but are not outstanding) for the benefit of the general unsecured creditors. The general unsecured creditors will receive a total of $58 million in cash and common stock. Any excess cash and/or common stock not distributed to the general unsecured creditors will be distributed to the holders of the Predecessor first lien obligations.

***Section 363 Asset Sale***

In July 2017, the Company sold its networking business ("Networking" or the "Networking business") to Extreme Networks, Inc. ("Extreme"). As part of the sale, Extreme paid the Company $70 million , deposited $10 million in an indemnity escrow account and assumed certain liabilities, primarily lease obligations, of $20 million . A $2 million gain was recognized and included in Other income (expense), net in the Consolidated Statements of Operations during fiscal 2017 (Predecessor). The deficit of revenues over direct expenses for the sold business was $4 million for the nine months ended June 30, 2017 (Predecessor) and $13 million for fiscal 2016 (Predecessor). The Networking business provided wired, WLAN and Fabric technology, and included the related customers, personnel, software and technology assets. The Networking business was comprised primarily of certain assets of the Company's Networking segment (which prior to the sale was a separate operating segment), along with the maintenance and professional services of the Networking business, which was part of the Services segment. Under a transition services agreement (the "TSA"), the Company provided administrative services to Extreme for process support, maintenance services and product logistics on a fee basis. As of September 30, 2018 , all activities required to be provided under the TSA were completed and the TSA was terminated. The $10 million indemnity escrow was distributed in September 2018 , with the Successor Company receiving $7 million and Extreme receiving the remaining $3 million as final settlement. The Company recorded income from the TSA, net of $5 million , $3 million and $3 million for the period from December 16, 2017 through September 30, 2018 (Successor), the period from October 1, 2017 through December 15, 2017 (Predecessor), and fiscal 2017 (Predecessor), respectively.

**5. Fresh Start Accounting**

In connection with the Company's emergence from bankruptcy and in accordance with FASB ASC 852, "Reorganizations" ("ASC 852"), the Company applied the provisions of fresh start accounting to its Consolidated Financial Statements on the Emergence Date. The Company was required to use fresh start accounting since (i) the holders of existing voting shares of the Predecessor Company received less than 50% of the voting shares of the emerging entity and (ii) the reorganization value of the Company's assets immediately prior to confirmation of the Plan of Reorganization was less than the post-petition liabilities and allowed claims.

ASC 852 prescribes that with the application of fresh start accounting, the Company allocated its reorganization value to its individual assets based on their estimated fair values in conformity with ASC 805, "Business Combinations". The reorganization value represents the fair value of the Successor Company's assets before considering liabilities. The excess reorganization value over the fair value of identified tangible and intangible assets is reported as goodwill. As a result of the application of fresh start accounting and the effects of the implementation of the Plan of Reorganization, the consolidated financial statements after December 15, 2017 are not comparable with the consolidated financial statements as of or prior to that date.

As discussed in Note 1, "Background and Basis of Presentation - Revision of Prior Period Amounts," prior period amounts as reported have been revised, where applicable.

***Reorganization Value***

As set forth in the Plan of Reorganization, the agreed upon enterprise value of the Company was $5,721 million . This value was within the initial range calculated by the Company of approximately $5,100 million to approximately $7,100 million using an income approach. The $5,721 million enterprise value was selected as it was the transaction price agreed to in the global settlement agreement with the Company’s creditor constituencies, including the PBGC. The reorganization value was then determined by adding liabilities other than interest bearing debt, pension obligations and the deferred tax impact of the reorganization and fresh start adjustments.



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For purposes of considering the Convertible Notes in determining diluted earnings per share, the Company has the ability and current intent to settle conversions of the Convertible Notes through combination settlement by repaying the principal portion in cash and any excess of the conversion value over the principal amount (the "Conversion Premium") in shares of the Company's common stock. Therefore, only the impact of the Conversion Premium will be included in diluted weighted average shares outstanding using the treasury stock method. Since the Convertible Notes were out of the money and anti-dilutive as of September 30, 2018 (Successor), they were excluded from the diluted earnings per share calculation for the period from December 16, 2017 through September 30, 2018 (Successor). The Call Spread Warrants sold in connection with the issuance of the Convertible Notes will not be considered in calculating diluted weighted average shares outstanding until the price per share of the Company's common stock exceeds the strike price of $37.3625 per share. When the price per share of the Company's common stock exceeds the strike price per share of the Call Spread Warrants, the effect of the additional shares that may be issued upon exercise of the Call Spread Warrants will be included in diluted weighted average shares outstanding using the treasury stock method. The Bond Hedge purchased in connection with the issuance of the Convertible Notes is considered to be anti-dilutive and therefore does not impact the Company's calculation of diluted earnings per share. Refer to Note 11 , "Financing Arrangements," for further discussion regarding the Convertible Notes.

**19. Operating Segments**

The Products & Solutions segment primarily develops, markets, and sells unified communications and contact center solutions, offered on premises, in the cloud, or as a hybrid solution. These integrate multiple forms of communications, including telephony, email, instant messaging and video. The Services segment develops, markets and sells comprehensive end-to-end global service offerings that enable customers to evaluate, plan, design, implement, monitor, manage and optimize complex enterprise communications networks. The Networking segment portfolio of software and hardware products offered integrated networking products. On July 14, 2017, the Company sold its Networking business to Extreme. Prior to the sale, the Company had three separate operating segments. After the sale, the Company has two operating segments, Products & Solutions and Services.

Effective September 30, 2018 , the Company changed the name of its Global Communications Solutions ("GCS") and Avaya Global Services ("AGS") segments to "Products & Solutions" and "Services," respectively. These were name changes only and did not have an impact on the operating results of each segment.

The Company's chief operating decision maker makes financial decisions and allocates resources based on segment profit information obtained from the Company's internal management systems. Management does not include in its segment measures of profitability selling, general, and administrative expenses, research and development expenses, amortization of intangible assets, and certain discrete items, such as fair value adjustments recognized upon emergence from bankruptcy, charges relating to restructuring actions, impairment charges, and merger-related costs as these costs are not core to the measurement of segment performance, but rather are controlled at the corporate level.



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## SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized on December 21, 2018 .

AVAYA HOLDINGS CORP.

| | |
|---|---|
| By: | /s/ L. DAVID DELL'OSSO |
| **Name:** | **L. David Dell'Osso** |
| **Title:** | **Vice President, Controller & Chief Accounting Officer** |

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

| Signature | Title | Date |
|---|---|---|
| /s/ JAMES M. CHIRICO, JR.<br>**James M. Chirico, Jr.** | Director, President and Chief Executive Officer<br>(Principal Executive Officer) | December 21, 2018 |
| /s/ PATRICK J. O'MALLEY, III<br>**Patrick J. O'Malley, III** | Senior Vice President, Chief Financial Officer<br>(Principal Financial Officer) | December 21, 2018 |
| /s/ L. DAVID DELL'OSSO<br>**L. David Dell'Osso** | Vice President, Controller and Chief Accounting Officer | December 21, 2018 |
| /s/ WILLIAM D. WATKINS<br>**William D. Watkins** | Chairman of the Board of Directors | December 21, 2018 |
| /s/ STEPHAN SCHOLL<br>**Stephan Scholl** | Director | December 21, 2018 |
| /s/ SUSAN L. SPRADLEY<br>**Susan L. Spradley** | Director | December 21, 2018 |
| /s/ STANLEY J. SUTULA, III<br>**Stanley J. Sutula, III** | Director | December 21, 2018 |
| /s/ SCOTT D. VOGEL<br>**Scott D. Vogel** | Director | December 21, 2018 |



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| Subsidiaries of Avaya Holdings Corp. | |
|---|---|
| **Company Name** | **State or Other Jurisdiction of Incorporation or Organization** |
| 3102455 Nova Scotia Company | Nova Scotia |
| Aurix Limited | United Kingdom |
| Avaya (China) Communication Co. Ltd. | China |
| Avaya (Dalian) Intelligent Communications Co., Ltd. | China |
| Avaya (Gibraltar) Investments Limited | Gibraltar |
| Avaya (Malaysia) Sdn. Bhd. | Malaysia |
| Avaya (Shanghai) Enterprise Management Co., Ltd. | China |
| Avaya Argentina S.R.L. | Argentina |
| Avaya Australia Pty Ltd | Australia |
| Avaya Austria GmbH | Austria |
| Avaya Belgium SPRL | Belgium |
| Avaya Beteiligungs GmbH | Germany |
| Avaya Brasil LTDA. | Brazil |
| Avaya CALA Inc. | Delaware |
| Avaya Canada Corp. | Nova Scotia |
| Avaya Capital Ireland | England & Wales |
| Avaya Capital Ireland Unlimited Company | Ireland |
| Avaya Chile Limitada | Chile |
| Avaya CIS LLC | Russian Federation |
| Avaya Cloud Inc. | Delaware |
| Avaya Cloud Limited | Ireland |
| Avaya Communication de Colombia S.A. | Colombia |
| Avaya Communication de Mexico, S.A. de C.V. | Mexico |
| Avaya Communication Israel Ltd. | Israel |
| Avaya Comunicación España S.L.U. | Spain |
| Avaya Cyprus Investments Limited | Cyprus |
| Avaya Czech Republic s.r.o. | Czech Republic |
| Avaya d.o.o. | Croatia |
| Avaya Denmark ApS | Denmark |
| Avaya Deutschland GmbH | Germany |
| Avaya Dutch Holdco B.V. | Netherlands |
| Avaya ECS Limited | England & Wales |
| Avaya Egypt LLC | Egypt |
| Avaya EMEA Ltd. | Delaware |
| Avaya Enterprises S.R.L. | Romania |
| Avaya Federal Solutions, Inc. | Delaware |
| Avaya Finland Oy | Finland |
| Avaya France SAS | France |
| Avaya GCM Sales Limited | Ireland |
| Avaya German Holdco GmbH | Germany |
| Avaya Germany GmbH | Germany |
| Avaya GmbH & Co. KG | Germany |
| Avaya Holding EMEA BV | Netherlands |
| Avaya Holdings Limited | Ireland |
| Avaya Holdings LLC | Delaware |

| | |
|---|---|
| Avaya Holdings Two, LLC | Delaware |
| Avaya Hong Kong Company Limited | Hong Kong |
| Avaya Hungary Ltd./Avaya Hungary Communication Limited Liability Company | Hungary |
| Avaya Iletisim Sistemleri Ticaret Anonim Sirketi (Turkey JSC) | Turkey |
| Avaya Inc. | Delaware |
| Avaya India (SEZ) Pvt Ltd | India |
| Avaya India Private Limited | India |
| Avaya Integrated Cabinet Solutions LLC | Delaware |
| Avaya International Enterprises Ltd. | Ireland |
| Avaya International Holdings Limited | England & Wales |
| Avaya International Sales Limited | Ireland |
| Avaya Ireland Limited | Ireland |
| Avaya Italia S.p.A. | Italy |
| Avaya Japan Ltd. | Japan |
| Avaya Korea Ltd. | Korea, Republic Of |
| Avaya Limited | England & Wales |
| Avaya Luxembourg Investments S.a.r.l. | Luxembourg |
| Avaya Luxembourg Sarl | Luxembourg |
| Avaya Macau Limitada | China |
| Avaya Management L.P. | Delaware |
| Avaya Management Services Inc. | Delaware |
| Avaya Mauritius Ltd | Mauritius |
| Avaya Nederland B.V. | Netherlands |
| Avaya New Zealand Limited | New Zealand |
| Avaya Nigeria Limited | Nigeria |
| Avaya Norway AS | Norway |
| Avaya Panama Ltda. | Panama |
| Avaya Peru S.R.L. | Peru |
| Avaya Philippines, Inc. | Philippines |
| Avaya Poland Sp. z.o.o. | Poland |
| Avaya Puerto Rico, Inc. | Puerto Rico |
| Avaya Services Inc. | New York |
| Avaya Singapore Pte Ltd | Singapore |
| Avaya Sweden AB | Sweden |
| Avaya Switzerland GmbH | Switzerland |
| Avaya Training and Service Centre FZE | United Arab Emirates |
| Avaya UK | England & Wales |
| Avaya UK Holdings Limited | England & Wales |
| Avaya Venezuela S.R.L. | Venezuela |
| Avaya Verwaltungs GmbH | Germany |
| Avaya World Services Inc. | Delaware |
| CAAS Technologies, LLC | Nevada |
| Esna Technologies Inc. | Ontario |
| Esna Technologies Ltd | United Kingdom |
| Global Horizon Holdings Ltd | Israel |
| Harmatis Ltd. | Israel |
| Hyper Quality (India) Private Limited | India |
| HyperQuality II, LLC | Washington |
| HyperQuality, Inc. | Delaware |
| Intellisist, Inc. | Washington |

| | |
|---|---|
| KnoahSoft Technologies Private Limited | India |
| KnoahSoft, Inc. | Delaware |
| Konftel AB | Sweden |
| Nimcat Networks General Partnership | Canada |
| Octel Communications LLC | Delaware |
| Persony, Inc. | Delaware |
| PT Sierra Communication Indonesia | Indonesia |
| Radvision Communication Development Beijing Co. Ltd. (RCD) | Bejing |
| Radvision Government Services, Inc. | Delaware |
| Sierra Asia Pacific Inc. | Delaware |
| Sierra Communication International LLC | Delaware |
| Sipera Systems Private Limited | India |
| Spectel Limited | Ireland |
| Spectel Operations Limited | Ireland |
| Spectel Research Limited | Ireland |
| Spoken Communications Japan K.K. | Japan |
| Technology Corporation of America, Inc. | Delaware |
| Tenovis Direct GmbH | Germany |
| Tenovis Telecom Frankfurt GmbH & Co. KG | Germany |
| Ubiquity Software Corporation | Delaware |
| Ubiquity Software Corporation Limited | England & Wales |
| VPNet Technologies, Inc. | Delaware |
| Windward Corp. | Cayman Islands |